

U.S. AirWaves Inc.

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January 23, 1995

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, DC 20554

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Reference: FCC Personal Communications Services Requests for
Comments, GEN Docket No. 93-254 *93-253*

Dear Mr. Caton:

Enclosed for filing are the original and four copies of U.S. AirWaves Inc.'s response to the Commission's request for comments on the auction of F block broadband PCS licenses. Please date-stamp the extra copy of the first page of the filing and return it in the self-addressed, stamped envelope.

Sincerely,



Winston E. Himsworth

/abm
Enclosures

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Before the
Federal Communications Commission
Washington, D.C. 20554

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COMMUNICATIONS

In the Matter of)
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Auction of F Block Licenses for)
Personal Communications Services)
in the 2 GHz Band)
_____)

FCC GEN Docket No. 93-253

DOCKET FILE COPY ORIGINAL

Reference: FCC Personal Communications Services Requests for
Comments, GEN Docket No. 93-254

U.S. AirWaves Inc.
10500 N.E. 8th Street, Suite 625
Bellevue, WA 98004

**Before the
Federal Communications Commission
Washington, D.C. 20554**

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In the Matter of)	
Auction of F Block Licenses for Personal Communications Services in the 2 GHz Band)	FCC GEN Docket No. 93-253

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Comments

U.S. AirWaves Inc. ("AirWaves") supports a proposal by the Federal Communications Commission to auction the D, E, and F blocks together in a single simultaneous, multiple-round auction. A combined auction would assist in more rapidly bringing PCS services to the public and would best serve the needs of bona fide entrepreneurial firms.

AirWaves also proposes some specific bidding and financing rules for entrepreneurial firms in a combined D, E, and F block auction. These would provide entrepreneurs with the flexibility of aggregating 10, 20 or 30 MHz blocks, while preserving the interests of both entrepreneurs concerned only with the F block and non-entrepreneurs eligible only for the D and E blocks.

- I. A combined D, E, and F block auction would provide additional flexibility for entrepreneurs to aggregate licenses of 10, 20 or 30 MHz while furthering the Commission's objectives of disseminating licenses among a wide variety of applicants, of increasing opportunities for designated entities who might otherwise face entry barriers, and of rapidly bringing competitive PCS services to the public.**

Unlike the A and B block auction, at which only thirty bidders showed up for the first round, initial indications are that the 30 MHz C block auction will attract numerous bidders. Given the apparent competition for 30 MHz licenses by entrepreneurs, the opportunity to allow such entrepreneurs to more easily aggregate alternative spectrum of more than 10 MHz, particularly for use in the more heavily and densely populated markets. This would be a positive development not only for bona fide entrepreneurs but also for the development of a competitive PCS market.

In the absence of a combined auction, entrepreneurs with broader spectrum market plans, but unsuccessful in the C block auction, would be seriously disadvantaged. Bids would have to be made in the F block auction without corresponding information on the highly co-dependent prices that might have to be paid in the future D and E block auction. This would provide a strong disincentive to bid. Since the principal objective of organizing the PCS auctions in a simultaneous, multiple-round format was to enable bidders to deal with the substantial interdependencies among different licenses, it seems highly appropriate for the D, E, and F blocks to be auctioned simultaneously.

AirWaves believes that the pricing efficiency of a combined D, E, and F block auction more than compensates for the added complexity of a 1,479-license, simultaneous multiple round process. By the time the auction is begun, the Commission and entrepreneurs alike will have had experience with a 493-license auction.¹ While the three-fold increase in licenses may extend the auction, the elimination of a separate D and F block auction will reduce the time needed to complete all the broadband PCS auctions, minimize headstart problems, and further the Commission's policy objectives of rapidly bringing competitive PCS services to the public.

II. Growing experience with auctions of increasing size and involving participants with different preferences should provide assurances of a smooth auction of the D, E, and F blocks together.

A combined D,E, and F block auction will involve only the same total amount of bandwidth, and at the same level of geographic disaggregation, as the C block auction. It will involve only half the total amount of bandwidth as was auctioned in the MTA auction. Assuming that the FCC was intending to auction the D and E blocks simultaneously anyway, the incremental complexity of a 1,479-license auction (as opposed to a 986-license auction) would be minimal.

There has already been successful experience with conducting a simultaneous auction of licenses, some of which are subject to designated entity preferences and some of which are not. In the recent Regional

¹ AirWaves' suggestions for simplifying some of the bidding-related file transfer requirement of an auction of this scope are provided in Section V.

Narrowband Auction, one 50/50 channel and one 50/12.5 channel in each region were eligible for preferences, while the remaining channels were not. Bidders with and without preferences coexisted without any difficulty, and the auction process progressed smoothly.

III. Bidding and financing rules applicable to entrepreneurs bidding on D and E block licenses in a combined auction should be carefully balanced to provide the desired entrepreneurial opportunities without disadvantaging those entrepreneurs interested in only F block licenses or those non-entrepreneurs eligible only for D and E block licenses.

In establishing license block set-asides for entrepreneurs and spectrum aggregation limits for cellular carriers, the Commission has diligently attempted to fairly balance the needs of a broad range of existing and potential wireless competitors. A decision to provide more flexibility for entrepreneurs to obtain additional spectrum in a combined D, E, and F block auction should be carefully implemented so as not to unfairly alter this balance. As a guiding principle, AirWaves suggests entrepreneurs be permitted to aggregate up to 30 MHz of PCS spectrum in a combined D, E, and F block auction, but on somewhat less favorable terms than in the C block auction. AirWaves proposes that entrepreneurs receive the previously determined bidding discounts only on the F block, but be offered only a non-subsidized installment payment plan on the D and E blocks. Such an approach would avoid disadvantaging smaller entrepreneurs interested in more niche-type PCS services and of non-entrepreneurs limited to 10 MHz licenses, and would also help to avoid siphoning demand from the C block auction.

Specifically AirWaves recommends the following.

1. Entrepreneurs should receive no bidding discounts on D and E block licenses. Such discounts were not proposed by the Commission in its request for comments, but may be suggested by others. Entrepreneurial discounts in these blocks would seriously disadvantage non-entrepreneurs, many of whom are limited to bids in these blocks.
2. Upfront payments for entrepreneurs should be standardized at \$0.015 per POP per MHz across all three blocks. This recommendation is made primarily for administrative simplicity in tracking bid eligibility. Simplicity and fairness might also suggest reducing payments by non-entrepreneurs to the same level.
3. The current installment payment plan for the F block should be maintained as currently provided. A non-subsidized installment payment plan should be offered to entrepreneurs for the D and E blocks, with an interest rate of the Treasury rate plus 2.5 percent, interest-only payments for two years, and 80 percent amortization. This would maintain the delicate balance involving designated entities that the Commission had previously reached, while addressing the very real practical problem of capital-market constraints faced by entrepreneurs.

IV. Few changes are needed to the Commission's anti-collusion bidding and control rules.

The Commission is correct in suggesting that there may be a need for entrepreneurs to enter into consortium and other joint bidding arrangements to aggregate licenses in a combined D, E, and F block auction. If done properly, this should be permitted. The Commission's anti-collusion rules make a clear distinction between bidding arrangements that are structured before submission of, and fully disclosed in, short-form auction applications and those activities that may take place between the application date and the completion of the auction. AirWaves believes that these rules are generally well-founded, are highly flexible in the pre-auction period, and should be maintained.²

One potential area of concern involves consortiums or joint ventures involving entrepreneurs and non-entrepreneurs seeking to combine D, E, and F block licenses into jointly managed systems. Unless carefully monitored or prohibited, such arrangements might be used to circumvent Commission rules on designated entity control and/or spectrum aggregation.

Since AirWaves has proposed that no differential preferences be provided to entrepreneurs bidding on the D and E blocks, AirWaves proposes one minor modification to the Commission's consortium rules to allow entrepreneurs who might have access to different preferences on the F block to join in consortiums or joint ventures combining holdings of D, E, and F

² On a specific exception basis, however, AirWaves has requested a narrowly-defined waiver from the Commission's anti-collusion rules in the MTA auction to correct a non-collusive event.

block licenses. This would provide additional managerial flexibility for a variety of entrepreneurs without raising issues of control by larger companies.

V. Several changes are needed in the Commission's online bidding and information system to simplify the transfer and manipulation of auction data in large auctions.

The existing online bidding system appears to be working well in the MTA auction, but has not yet had to deal with an auction involving hundreds of licenses. As the number of simultaneous licenses rises to 493 in the C block auction or 1,479 in a combined D, E, and F block auction, several changes may be required to make the system more manageable and efficient.

Most importantly, it is essential to provide a facility for bidders to submit their bids in the form of a file which they have prepared off-line, and for the system to provide confirmation that the submitted file has been interpreted as the bidder intended. The current alternative of real-time online bid entry becomes increasingly difficult and prone to error as the number of bids per round by a single bidder increases. Even with 493 licenses auctioned simultaneously, it becomes inevitable that bidders will enter bids on unintended licenses or with an extra digit to the left of the decimal point. Use of bid submission files would permit bidders to implement automated bid-checking procedures. Provision of a confirmation of the executed bids would help bidders to detect subtle coding errors in their bid files prior to the close of a bidding round, so that corrections could be made.

The sheer magnitude of the data transfer requirements from the online bidding system to each bidder during and after each round can be reduced by eliminating redundant high bid listings and/or by providing exception reporting options on withdrawals and minimum bidding increments. High bids, for example, are currently listed in the bid submission, bid withdrawal, and minimum bid files for each round. Unless there has been a withdrawal — which has been an exception to date — these three listings are identical. A simple notification to bidders that there were no withdrawals in a round would alleviate the need to download the bid withdrawal file. Similarly, the posting of a standard minimum percentage bid increment, which should be appropriate throughout at least the early rounds, would allow bidders to calculate new minimum bids without downloading the minimum bid file. AirWaves recommends that the online bidding system continue to prepare and make available the existing files information for those bidders who require redundant data presentations, but that shorter exception-based notifications be provided for those bidders maintaining more efficient bid tracking and submission systems.

Respectfully submitted,



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